



Department of Health Care Finance Budget Presentation For FY2014

Presentation for the:
Medical Care Advisory Committee

Presentation Outline

Introduction and Overview of District Budget

DHCF FY14 Budget Development

Medicaid Spending And Budget Challenges

Key Agency Priorities For FY2014

DHCF's 3rd Annual Budget Presentation To The Medical Care Advisory Committee

Three goals of presentation

1. Outline Mayor's FY2014 proposed budget for DHCF
2. Highlight major areas of program spending and existing fiscal challenges
3. Discuss program priorities for FY2014

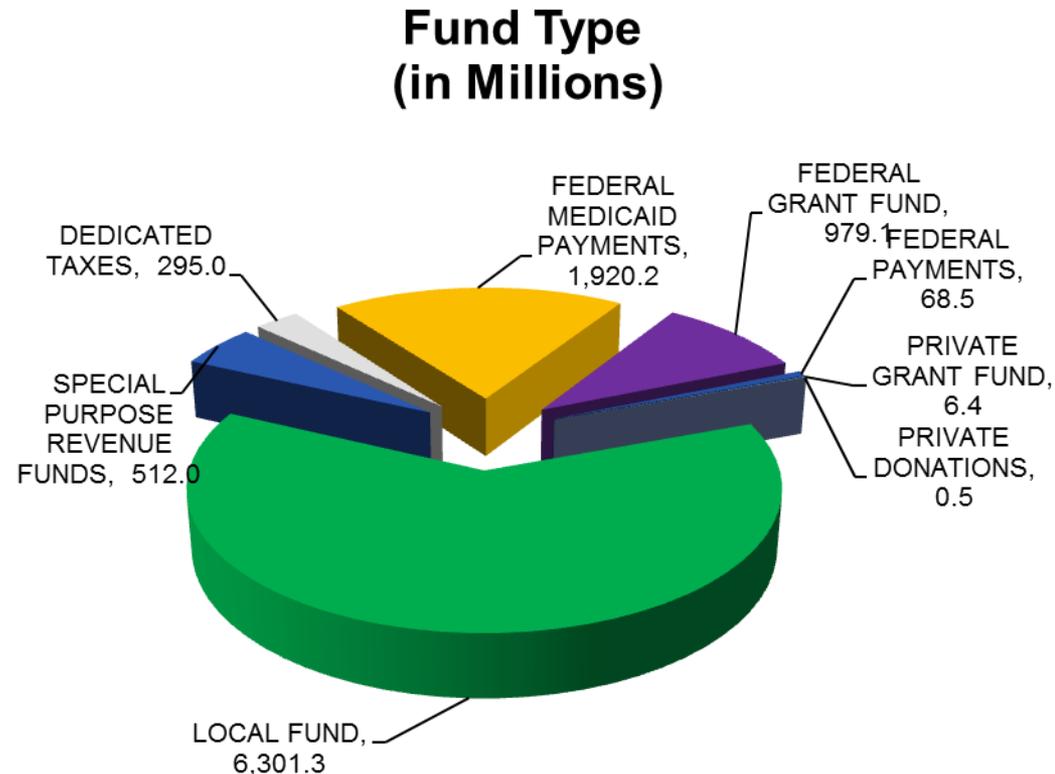
The District's Fiscal Turnaround Continues



- Standard & Poor's upgraded the District's General Obligation bond rating from A+ to AA-
- After a steep 3-year decline, in just two years the Fund Balance has been rebuilt to the 2nd-highest point in its history - \$1.5B
- FY 2014 Budget & Financial plan preserves the 12% debt cap

The District's FY2014 Budget Totals \$10.1 Billion And 60 Percent Of Revenue Is Generated Locally

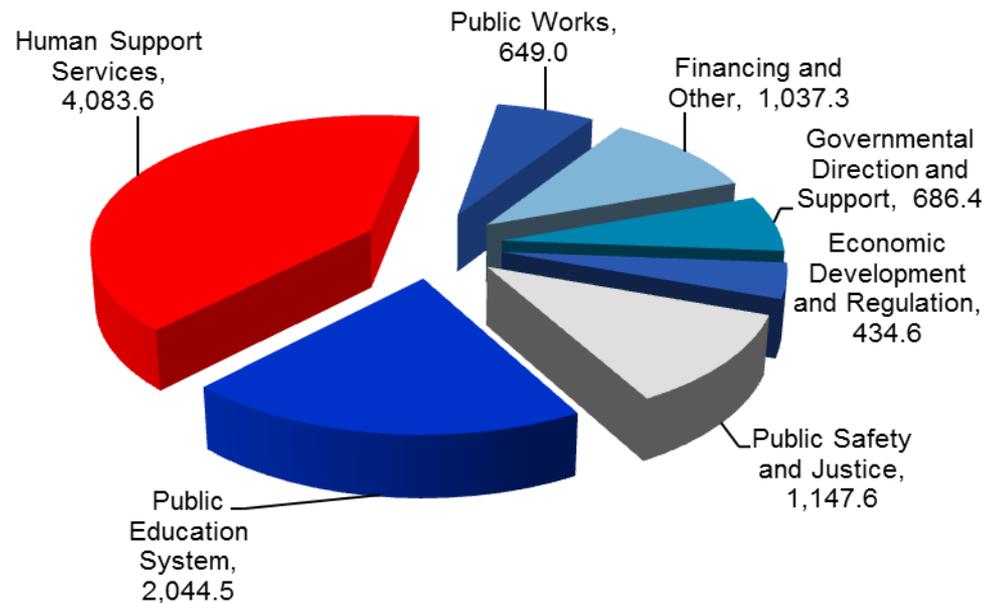
- Locally Generated Sources
 - Local funds (\$6,301.3M)
 - 62.5%
 - Special Purpose Revenue (\$512.0M)
 - 5.1%
 - Dedicated Taxes (\$295.0M)
 - 2.9%
- Federal Granted Funds
 - Medicaid (\$1,920.2M)
 - 19.0%
 - Grants (\$979.1M)
 - 9.7%
 - Payments (\$68.5M)
 - 0.7%
- Privately Granted Funds
 - Grants (\$6.4M)
 - 0.1%
 - Donations (\$0.5M)
 - 0.0%



Over 40 Percent of the Gross Budget Supports Human Services

- **Human Support Services (\$4,083.6M)**
 - ❖ 40.5%
- Public Education (\$2,044.5M)
 - ❖ 20.3%
- Public Safety and Justice (\$1,147.6M)
 - ❖ 11.4%
- Government Direction and Support (\$686.4M)
 - ❖ 6.8%
- Public Works (\$649.0M)
 - ❖ 6.4%
- Economic Development and Regulation (\$434.6M)
 - ❖ 4.3%
- Financing and Other (\$1,037.3M)
 - ❖ 10.3%

**Gross Funds
(in Millions)**



Investing in the District's Workforce

- \$56M to fund District government employee pay raises
 - First pay increase for most employees in four to seven years
 - Includes Union and non-Union employees
- Funds All Current Pension Liabilities



Planning Underway To Turnaround United Medical Center



United Medical Center

- \$12.7M contract with Huron Health Care Consulting Team focused on:
 - community needs assessment
 - organizational restructuring
 - IT upgrades for medical records management
- \$20M for planning and site development to reposition the hospital on the current parcel and consider private financing models that generate at least \$60M in additional capital

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Agency Overview

- Total Agency FY14 Budget: **\$2,748,503,495**
- Total Agency Local Fund FY 14 Budget: **\$715,131,066**
- **96%** of budget spent on Provider Payments

FY14 Budget Development: Local Funds Budget

Maximum Allowable Request Ceiling

FY 2013 Budget	\$689,033,544
CSFL Adjustment	\$34,506,169
FY 2014 MARC	\$723,539,713
Policy Adjustments	(8,408,648)
FY14 Mayor's Submission	\$ 715,131,066

Full Time Equivalent (FTE's)

(includes all funds)

	FY 2013 Approp. FTE	FY 2014 Mayor's FTE Submission	Variance
Local	74.1	82.2	8.1
Dedicated/Special Purpose Revenue	10.6	11.5	.90
Federal	96.4	104.3	7.9
Total	181.1	198.0	16.9

FY14 Budget Comparison

Category	FY2013 Approp. Budget	FY 2014 Mayor's Budget Submission	FY13 vs FY14
Personal Services	\$7,334,675	\$ 8,161,067	\$826,392
0020, 40, 70 -- Supplies, Other, Equipment	\$713,827	\$1,005,518	\$291,691
0030-0035 --Fixed Cost	\$704,426	\$426,646	\$358,140
0041 -- Contractual Services	\$15,908,956	\$20,067,333	\$4,158,377
0050 -- Subsidies & Transfers	\$664,371,660	\$685,470,502	\$21,098,842
Total Budget	\$689,033,544	\$715,131,066	\$26,733,442 11

Budget Request For Select Medicaid Mandatory Services

Medicaid Mandatory Service	FY12 Expenditures	FY13 Budgeted Amount	FY14 Budget Request
Inpatient Hospital	\$336.5M	\$349.9M	\$338.8M
Nursing Facilities	\$210.6M	\$250.7M	\$274.3M
Physician Services	\$45.7M	\$52.0M	\$47.5M
Outpatient Hospital & Emergency	\$21.3M	\$22.8M	\$28.3M
Durable Medical Equip (including prosthetics, orthotics, and therapies)	\$29.8M	\$29.6M	\$40.5M
Transportation	\$26.3M	\$28.0M	\$21.2M
Federally Qualified Health Centers	\$25.8M	\$24.9M	\$32.6M
Lab & X-Ray	\$18.3M	\$16.2M	\$17.4M

Budget Request For Select Medicaid Optional Services

Medicaid Optional Services	FY12 Expenditures	FY13 Budgeted Amount	FY14 Budget Request
Managed Care Services	\$656.6M	\$688.3M	\$843.3M
DD Waiver	\$150.3M	\$156.9M	\$180.3M
Personal Care Aide (FY 2012 excludes \$11.4M of PCA spending recorded in Home Health)	\$151.3M	\$100.7M	\$182.3M
EPD Waiver	\$88.9M	\$123.6M	\$51.8M
Pharmacy	\$23.7M	\$57.5M	\$71.9M
Mental Health (includes DMH intra-district)	\$83.7M	\$82.7M	\$83.5M
Day Treatment	\$26.8M	\$26.1M	\$27.4M
Home Health (FY 2012 includes \$11.4M of PCA spending)	\$19.2M	\$20.2M	\$10.8M

Note: Agency policy created a shift of EPD waiver spending to PCA, resulting in the reduction in EPD waiver spending and increase in PCA spending

New Additions To DHCF's Budget In FY2014

Budget Item	Description	Purpose	Local Cost/ (Saving)
Nursing Home Inflation	Budget includes 1.7% estimated inflation increase for nursing home rates	Recognize the increasing cost of providing nursing home care	\$1.38M
Childless adults with incomes up to 133% of FPL considered "Newly Eligible" by CMS	The Affordable Care Act considers beneficiaries who would not have been eligible under the December 1, 2009 rules "Newly Eligible"	Effective January 1, 2014, CMS provides 100% federal reimbursement for the Newly Eligible.	(\$36.3M)
Outpatient Supplemental Payments	New hospital provider tax of \$12.8M funds Payments	Supplemental payments of \$42.3M mitigate impact of low outpatient rates	\$0
Additional DHCF Staff	17 New FTEs	Strengthening DHCF's capacity to operate Medicaid program	

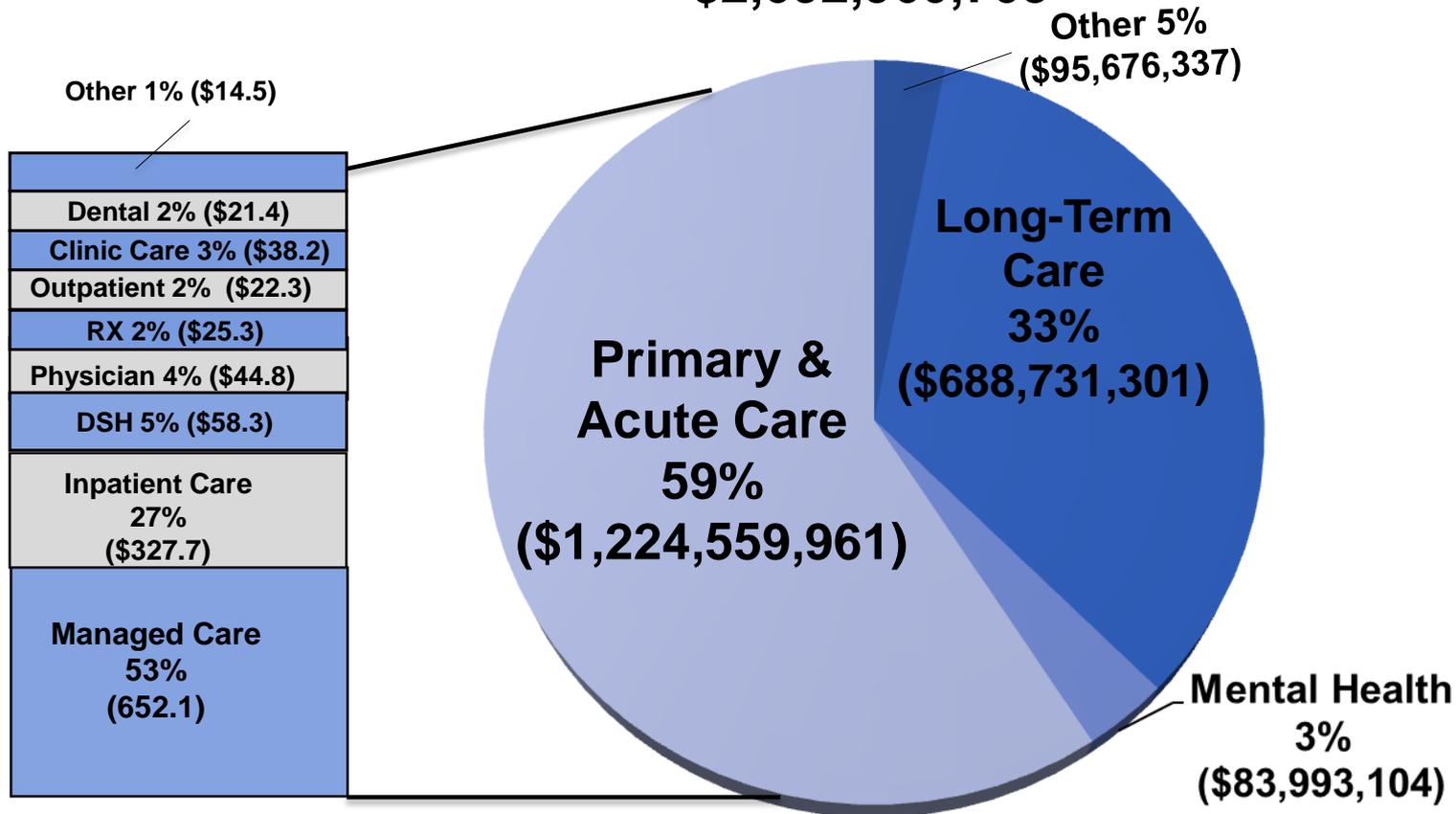
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Nearly Six of Every 10 Medicaid Dollars Is Spent On Acute Care Services

Total Medicaid Program Expenditures, FY2012

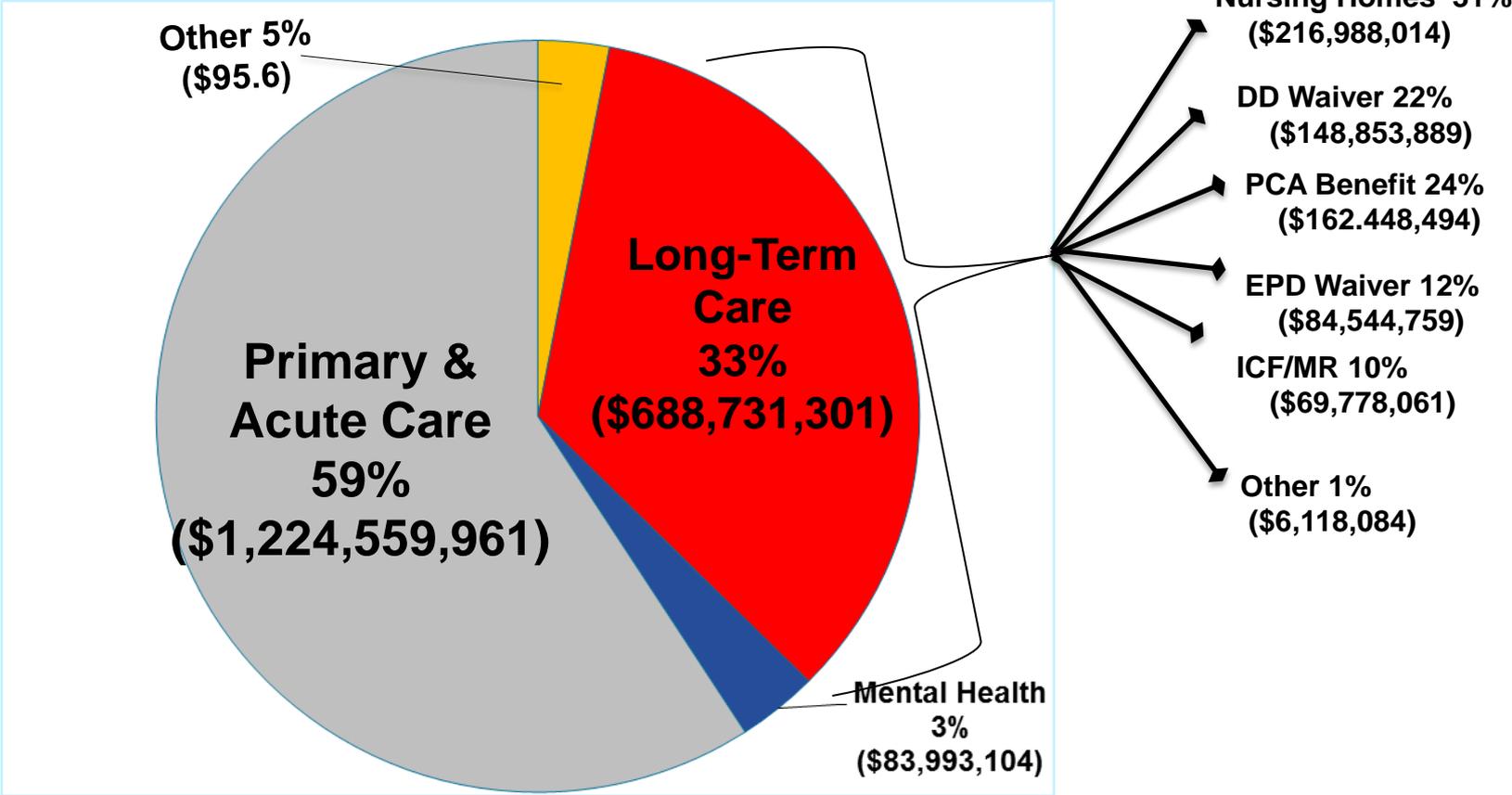
\$2,092,960,703



One-Third Of Medicaid Program Spending Is Attributable To Long-Term Care Services

Total Medicaid Program Expenditures, FY2012

\$2,092,960,703



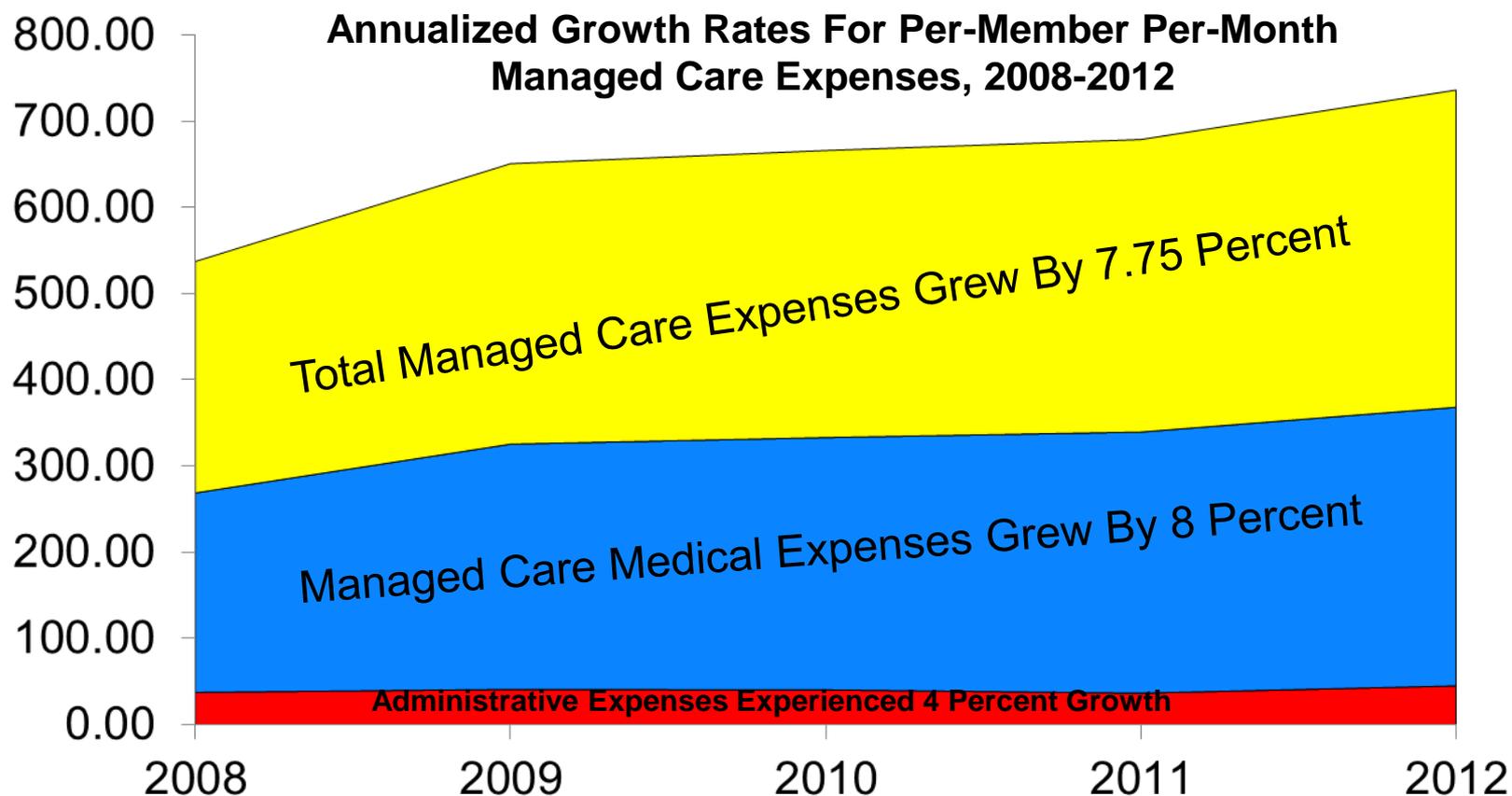
Payment Policies For Two Largest Medicaid Programs Impact Spending Trends For Acute Care Services

- ❑ Medicaid's two largest provider payments are made to hospitals and managed care plans
- ❑ Fee-for-service hospital payments are paid through a Diagnosis-Related Group (DRG) methodology
- ❑ Medicaid managed care plans receive capitated payments
- ❑ Rate setting is governed by federal regulations
 - Rates must be actuarially sound, developed by a credentialed actuary
 - Rates must be appropriate for covered populations and recipient benefit package
 - Each year the actuary provides a range from which the managed care rates must be selected

DHCF Has Adjusted FY2013 DRG Payment Rates Which Should Produce Significant Savings – System Must Be Monitored

Hospital	Base DRG Rate	New Base DRG Rate	Estimated Savings
United Medical Center	\$9,924	\$9,690	\$1,138,004
Georgetown Hospital	\$11,367	\$11,729	\$140,418
Sibley Memorial Hospital	\$10,216	\$12,422	(\$130,517)
Providence Hospital	\$8,764	\$8,672	(\$906,014)
George Washington Hospital	\$10,972	\$10,584	\$4,011,315
Washington Hospital Center	\$11,280	\$10,108	\$7,123,378
Howard University Hospital	\$18,788	\$12,852	\$22,053,269
Children's National Medical Center	\$26,060	\$21,482	\$5,224,125
Total	-----	-----	\$38,653,978 ¹⁹

The Annual Growth In Managed Care Expenses For Medical Services Through FY2012 Remained Constant At Around Eight Percent But Significant Increases Are Anticipated For FY2013 and FY2014



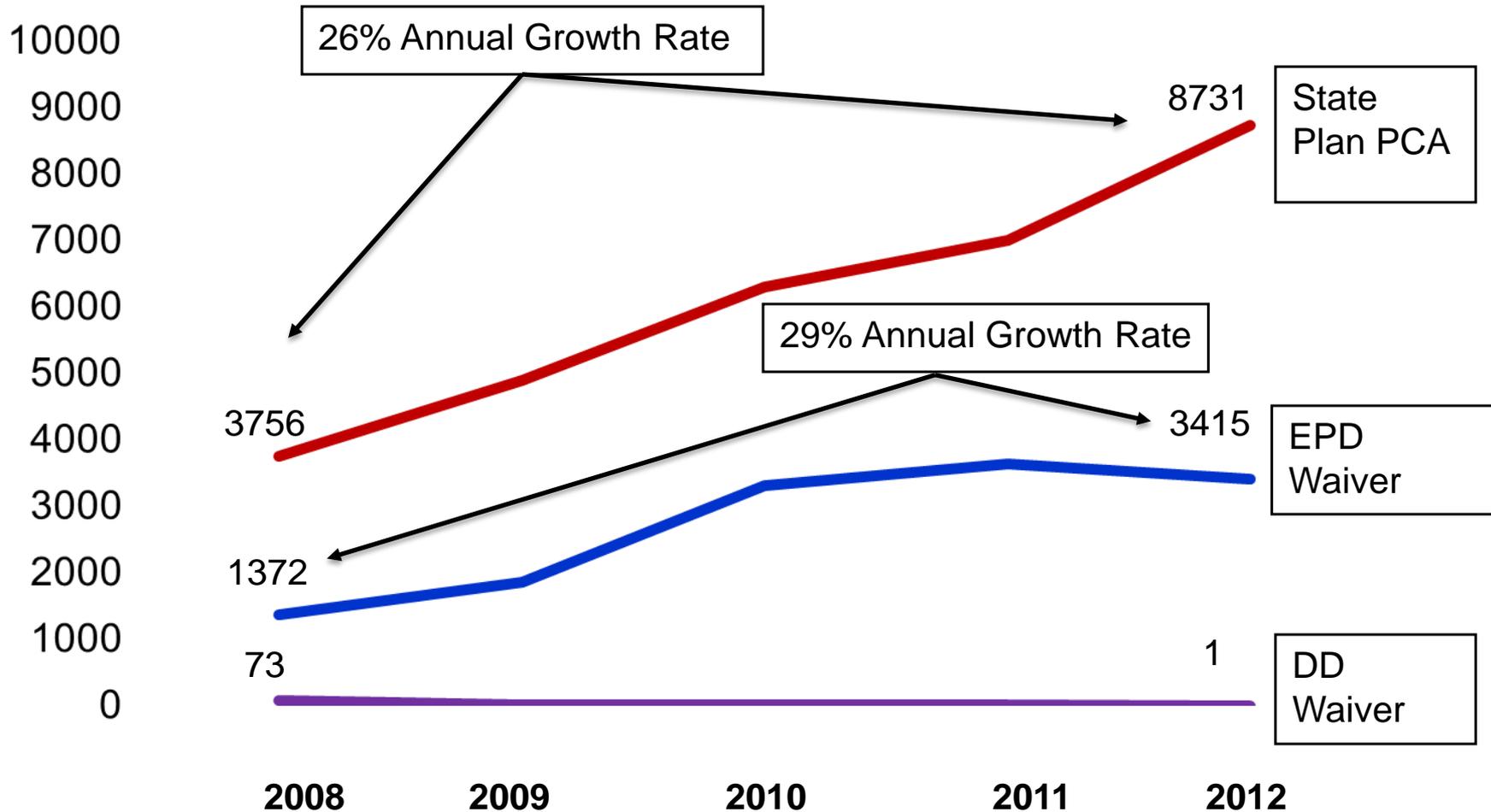
The FY 2012 Cost of The Waiver Programs And State Plan Personal Care Services Are Especially High But Less Than Institutional Care

Overall And Per Recipient Cost For Waiver, Personal Care And Institutional LTC Programs, FY2012

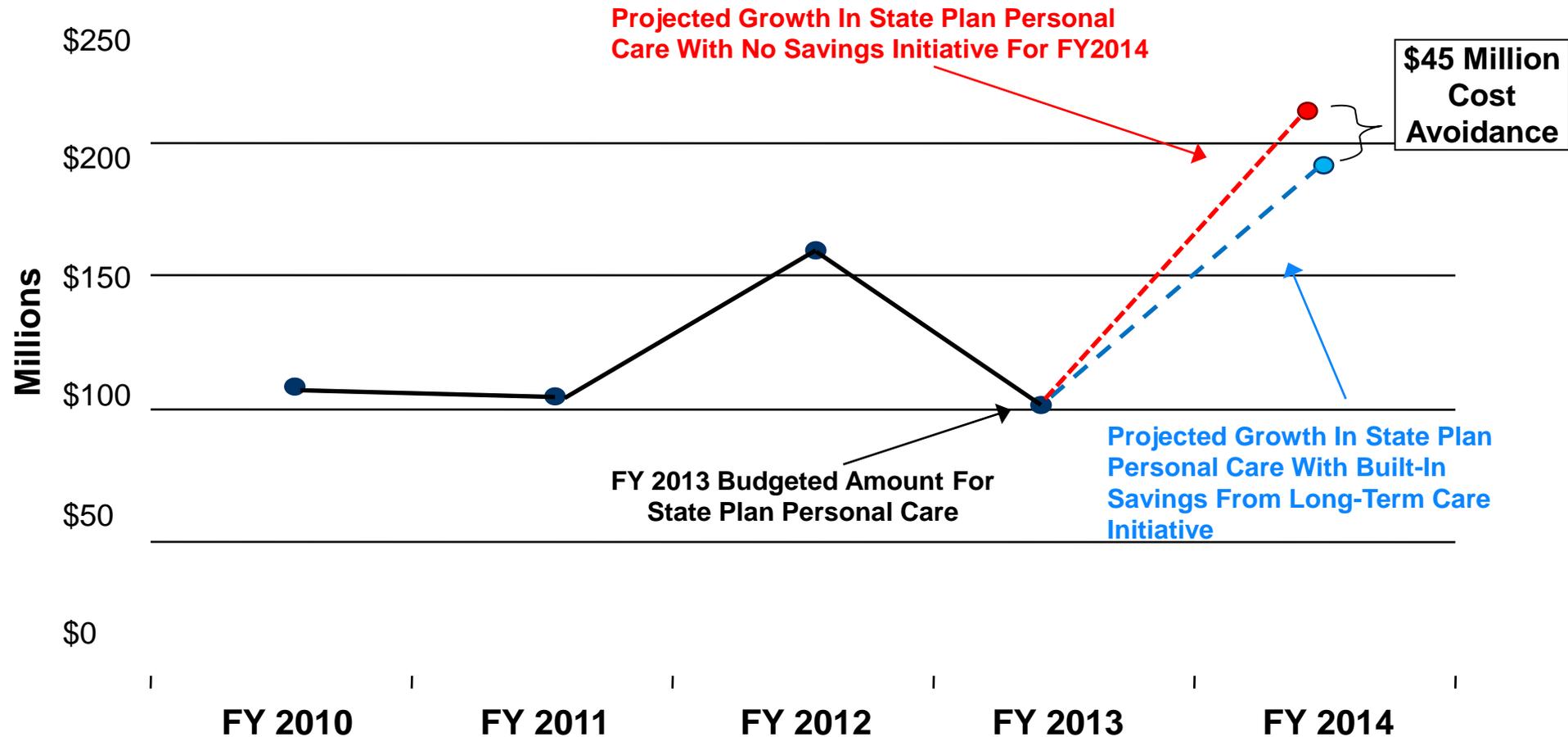
Program Service	Total Number of Recipients	Total Cost for Services	Average Cost Per Recipient
DD Waiver*	1,591	\$148,853,889	\$93,560
ICF/DD	395	\$69,778,061	\$176,653
EPD Waiver	3,679	\$84,544,759	\$22,980
State Plan Personal Care	8,736	\$162,448,495	\$18,595
Nursing Facilities	3,724	\$216,988,015	\$58,268

*DD Waiver costs do not include DDS local funds for the waiver.

The Number Of Medicaid Recipients Using Personal Care Benefits In Both The Waiver And State Plan Program Continues To Rapidly Grow



Significant Savings Have Been Built Into The FY2014 Budget For State Plan Personal Care



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DHCF's Work Is Organized Around Four Broad Agency Goals

- ❑ DHCF efforts are guided by four major priorities established at the beginning of the Mayor's Administration
 1. Improve patient outcomes
 2. Strengthen DHCF's program integrity operations
 3. Resolve Medicaid billing issues with our partner agencies
 4. Successfully implement health care reform

Several Initiatives Are Under Way Or Planned For FY2014 That Relate Back To Those Priorities

Initiative	Description	Goal of Project	Staff Lead
Reform MCO Program Improve Patient Outcomes	Build a program using health plans with innovative solutions to improving health outcomes for program beneficiaries, while mitigating the impact of those factors which have created growing cost pressures in the program.	Establish a managed care program that focuses on greater care coordination, improved services to children, and documented improvements in patient outcomes	Lisa Truitt
Reform Medicaid Long-Term Care System Enhance Program Integrity	Develop an improved system of long term care with a single “front door” for program entry, conflict-free, comprehensive, and automated assessments of patient need, alignment of eligibility criteria with assessments, and improved program monitoring and oversight	Eliminate fragmentation in the long-term care system, reduce inappropriate growth, and strengthen program oversight	Yvonne Iscandari
Develop New Medicaid Eligibility System for Health Care Reform Implement Health Care Reform	Work with an IT vendor to develop and implement a new eligibility, enrollment, integrated case management system, and HBX for the District of Columbia	Provide seamless access to District health insurance options and other services to meet the requirements of the Affordable Care Act	Claudia Schlosberg
Redesign The Hospital Outpatient Payment System Enhance Program Integrity	Develop a plan to shift hospitals to the ICD-10-CM system used to classify and code all diagnoses. Update the grouper used to calculate in-patient payment rates, and modernize the hospital outpatient payment methodology	Modernize the outpatient payment methodology to establish diagnosis specific rather than flat rate payments for patient care	Ganayswaran Nathan
Strengthen the Agency's Infrastructure Enhance Program Integrity	Build sufficient capacity among program staff to address MCO and long-term care reforms, manage growing demands on Policy and Research, and improve the rate setting and reimbursement activities of program staff	Increase the capacity of the agency to address the growing demands on DHCF program staff	Melisa Byrd

Key Organizational Changes Planned For FY2014

- ❑ Major improvements needed in agency procurement
 - Procurements simply not being completed on time
 - Challenges must be overcome at both OCP and DHCF
 - More resources needed to handle nearly \$1 billion in contracts
 - Performance of DHCF contract officers must improve
 - DHCF might receive independent contracting authority

- ❑ Plans underway for an Office of Rates and Reimbursement
 - Program side of agency must assume responsibility for rate design
 - Unit created and will be headed by the Deputy Director of Finance

- ❑ Long-term care reform will create significant staff demands
 - Plans underway to increase positions and reduce vacancy rate

Conclusion

**We Are Planning To Make FY 2014
A Smashing Success**